

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

DIRECT TESTIMONY

OF

DICK F. ROHLFS

STATE CORPORATION COMMISSION

DIRECTOR, RETAIL RATES

AUG 06 2010

WESTAR ENERGY, INC.



DOCKET NO. 10-WSEE-775-TAR

I. INTRODUCTION

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Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Dick F. Rohlf, 818 South Kansas Avenue, Topeka, Kansas 66612.

Q BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?

A. Westar Energy, Inc. (Westar). I am Director, Retail Rates.

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND
AND BUSINESS EXPERIENCE.**

A. I graduated from the University of Northern Iowa with a Bachelor of Arts Degree in Accounting. My utility experience began in 1976 when I was employed by the Iowa State Commerce Commission as a Utility Analyst. In 1980, I joined the staff of the State Corporation Commission of Kansas. In 1982, I accepted a position with Kansas Gas and Electric Company (KG&E) as a Rate Auditor, advancing to

1 Senior Regulatory Accountant. In 1992, with the merger of The
2 Kansas Power and Light Company and KG&E, I accepted a
3 position of Regulatory Coordinator before advancing to Senior
4 Manager in February 1996. In June 2001, I assumed my current
5 position.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is to (1) provide an overview of
8 Westar's request to be a partner utility in Efficiency Kansas through
9 implementation of its SimpleSavings program, (2) provide support
10 for the administrative fee incorporated into Westar's SimpleSavings
11 Program, and (3) provide support for the shared savings
12 mechanism proposed by Westar for the SimpleSavings program.

13 **II. SUMMARY OF FILING**

14 **Q. PLEASE DESCRIBE WESTAR'S PROPOSAL IN THIS DOCKET.**

15 A. Westar proposes to become a partner utility in Efficiency Kansas
16 through implementation of its SimpleSavings program. Efficiency
17 Kansas is a program developed by the State Energy Office and
18 Westar's Efficiency Kansas program, SimpleSavings, will operate
19 under the guidelines established by the State Energy Office.

20 **Q. WHAT IS EFFICIENCY KANSAS?**

21 A. Efficiency Kansas provides funds to customers to make energy
22 efficiency improvements in their homes and businesses through a
23 revolving loan program. When a customer decides to participate in

1 the program, an independent and trained energy efficiency auditor
2 will perform a comprehensive audit of the participant's dwelling or
3 business. The auditor will develop an Energy Conservation Plan
4 (ECP). The ECP will identify and recommend energy efficiency
5 improvements that the participant may wish to undertake. The
6 recommended improvements will be prioritized in terms of cost
7 effectiveness. The ECP may also recommend other conservation
8 measures that the participant could take, such as water
9 conservation.

10 The participant will receive a loan to pay for the identified
11 improvements from the State Energy Office. Westar will administer
12 the loan and collect the monthly payments as part of the customer's
13 monthly electric bill.

14 Efficiency Kansas is designed to:

- 15 a. Produce cost-effective, firm energy
16 savings,
- 17 b. Address efficiency improvements in a
18 comprehensive manner using sound
19 building science principles,
- 20 c. Implement the most cost-effective
21 programs in a logical sequence to
22 maximize the energy savings per dollar
23 spent, and
- 24 d. Target customers residing in structures
25 most in need of efficiency
26 improvements.

1 extent efficiency improvements lower overall customer demand, the
2 program should help delay installation of new generation capacity.
3 Also, because our most expensive fuels are those we use to meet
4 summer peak usage, efficiency improvements that reduce
5 consumption during peak periods will benefit even non-participants
6 by lowering our average fuel cost. And, to the extent lower usage
7 results in reduced plant operation and resulting emissions,
8 increased energy efficiency should have positive environmental
9 impacts, benefitting all of our customers. Of course, participants in
10 the program will benefit from reduced electric, natural gas, and
11 propane bills.

12 **Q. HOW WOULD THE SIMPLESAVINGS PROGRAM AFFECT**
13 **WESTAR?**

14 A. In the absence of a mechanism to keep the company whole,
15 Westar would experience erosion in its margins.

16 **Q. HOW DOES WESTAR PROPOSE TO ADDRESS THE EROSION**
17 **IN ITS MARGINS THAT WOULD RESULT FROM THE**
18 **SIMPLESAVINGS PROGRAM?**

19 A. As part of the SimpleSavings program, we are proposing that
20 Westar receive revenue through an Energy Efficiency Recovery
21 Rider equal to the margins lost to the company due to the reduction
22 in energy usage that occurs as a result of energy efficiency
23 improvement(s) implemented by participants. Westar would initially

1 use the independent third-party auditor's estimate of the amount of
2 electric energy each participant is likely to save by implementing
3 energy efficiency improvements. That savings in energy use would
4 be multiplied times the non-fuel average rate per kWh that each
5 customer would have paid to determine the revenue Westar will
6 recover through the Energy Efficiency Recovery Rider. Once
7 evaluation, measurement and verification (EM&V) is completed for
8 a participant's energy efficiency improvements, the revenue
9 recovered by Westar will be updated using the savings data that
10 has passed EM&V.

11 When Westar has a retail rate review that incorporates
12 participants' actual energy usage, no further recovery for those
13 participants would be included in the Energy Efficiency Recovery
14 Rider.

15 **Q. HOW DO YOU PROPOSE TO CALCULATE THE NON-FUEL**
16 **RATE OF A PARTICIPANT?**

17 A. Westar proposes to use the average rate per kWh for the
18 appropriate rate class from Westar's FERC Form No. 1 and
19 subtract the average Retail Energy Cost Adjustment (RECA) cost
20 per kWh to derive the average non-fuel cost per kWh. There may
21 be other approaches to calculate the non-fuel charge; however,
22 Westar desires a simple, transparent, and auditable approach.
23 Westar will work with Staff and the interveners to refine this

1 approach or to develop an alternative simple, transparent and
2 auditable approach if that is the desire of the Commission.

3 **Q. HAS THE COMMISSION PREVIOUSLY INDICATED THAT IT**
4 **WOULD CONSIDER THIS TYPE OF MECHANISM FOR A**
5 **PROGRAM LIKE SIMPLESAVINGS?**

6 A. Yes. In Paragraphs 96-97 of its November 14, 2008 Order, in
7 Docket No. 08-GIMX-441-GIV (441 Docket), when discussing
8 whether or not it would approve incentives for energy efficiency
9 programs, the Commission stated:

10 The Commission believes the best manner in which to
11 balance these considerations is to allow for
12 incentives, but limit them to specific energy efficiency
13 programs the Commission has determined are the
14 most beneficial for Kansas energy customers and the
15 long-term energy efficiency goals of the Commission.

16 Specifically, the Commission will consider
17 performance benefits for an application involving
18 energy efficiency program proposals that meet either
19 or both of the following goals:

20 a. Proposals for programs that
21 target low and fixed-income customers,
22 and renters. The Commission believes
23 these groups are vulnerable, particularly
24 in the face of an economic downturn,
25 and may be unable to undertake energy
26 efficiency measures on their own for
27 various reasons.

28 b. Proposals that target new and
29 existing residential housing and
30 demonstrate a potential for long-term
31 energy savings utilizing a
32 comprehensive whole house concept,
33 pursuant to the Commission policy as
34 expressed in the 442 Order.

1 Westar's SimpleSavings program meets both of these objectives
2 and should therefore qualify for the application of the shared
3 savings incentive mechanism.

4 **Q. ARE THERE PROVISIONS IN THE FEDERAL STATUTES THAT**
5 **PROVIDE FOR INCENTIVES TO ENCOURAGE ENERGY**
6 **EFFICIENCY?**

7 A. Yes. The enabling Federal legislation for the America
8 Reinvestment and Recovery Act (ARRA) mirrors the Commission's
9 Order in the 441 Docket. Section 410 of the ARRA states in part:

10 The applicable state regulatory authority will seek to
11 implement, in appropriate proceedings for each
12 electric and gas utility, with respect to which the State
13 regulatory authority has ratemaking authority, a
14 general policy that ensures that utility financial
15 incentives are aligned with helping customers use
16 energy more efficiently and that provide timely cost
17 recovery and a timely earnings opportunity for utilities
18 associated with cost-effective measurable and
19 verifiable efficiency savings, in a way that sustains
20 and enhances utility customers' incentives to use
21 energy more efficiently.

22 America Reinvestment and Recovery Act of 2009, PL 111-5
23 Section 410 (Feb. 17, 2009).

24 **Q. THANK YOU.**



CATHRYN J. DINGES
Corporate Counsel

August 6, 2010

Susan K. Duffy
Executive Director
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, Kansas 66604

STATE CORPORATION COMMISSION

AUG 06 2010

Re: In the Matter of the Application of Westar Energy, Inc. and Kansas Gas and Electric Company for an Order Authorizing them to Participate in Efficiency Kansas, Approve the SimpleSavings Program Rider, and related cost recovery; Docket No. 10-WSEE-775-TAR

Dear Ms. Duffy:

Enclosed for filing with the Commission please find the original and eight (8) copies of the **Direct Testimony of Dick F. Rohlf**s of Westar Energy, Inc.

Please file stamp one copy for my files.

Thank you for your assistance.

Sincerely,

Cathryn J. Dinges

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